

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2000

KATHY AUGUSTINE
STATE CONTROLLER
CARSON CITY, NEVADA

PERMANENT SCHOOL FUND

Table of Contents

	<u>Page</u>
Balance Sheets - Exhibit A	1
Statements of Revenues, Expenses and Changes in Fund Balances - Exhibit B	2
Statements of Cash Flows - Exhibit C	3
Summary of Significant Accounting Policies and Notes to Financial Statements	4
General Description of Fund and Revenue Sources	5
Schedule of Investments - Schedule 1	6
Schedule of Justice Court Fines by County - Schedule 2	7
Schedule of District Court Fines by County - Schedule 3	8
Schedule of Investment Income Earned - Schedule 4	9

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2000 and 1999

	<u>3/31/2000</u>	<u>3/31/1999</u>
		<u>Exhibit A</u>
Assets		
Cash held by Treasurer	\$ 6,329,773	\$ 16,583,929
Accrued interest		
Investments	1,056,718	1,034,312
Treasurer	365,283	223,508
Total accrued interest	<u>1,422,001</u>	<u>1,257,820</u>
Receivables		
Escheated estates	361,157	419,994
Fines and penalties	439,694	360,151
Purchased interest	387,665	-
Total receivables	<u>1,188,516</u>	<u>780,145</u>
Investments		
Land contracts	120	120
U.S. Government securities	69,275,520	50,525,434
Total investments	<u>69,275,640</u>	<u>50,525,554</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 78,218,907</u></u>	<u><u>\$ 69,150,425</u></u>
Liabilities		
Due the Distributive School Account	\$ 1,515,217	\$ 624,657
Fund balances	<u>76,703,690</u>	<u>68,525,768</u>
Total Liabilities and Fund Balances	<u><u>\$ 78,218,907</u></u>	<u><u>\$ 69,150,425</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Quarter and Nine Months Ended March 31, 2000

	Quarter Ended 3/31/2000	Exhibit B Nine Months Ended 3/31/2000
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 749,081	\$ 2,354,158
District Courts	219,861	583,572
Other Fines and Penalties	-	80,625
	968,942	3,018,355
Total fines		
Investment income	948,487	2,280,098
Land sales	87,574	3,556,567
Miscellaneous	3,960	4,290
	2,008,963	8,859,310
Total operating revenues/income		
Operating Transfers		
Transfer from (to) Escheated Estates Fund	(87,816)	(81,754)
Transfer to Distributive School Account	(948,487)	(2,280,098)
	(1,036,303)	(2,361,852)
Net operating transfers		
Net income	972,660	6,497,458
Fund balances, beginning of period	75,731,030	70,206,232
Fund balances, March 31	\$ 76,703,690	\$ 76,703,690

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA

PERMANENT SCHOOL FUND

STATEMENTS OF CASH FLOWS

For the Quarter and Nine Months Ended March 31, 2000

Exhibit C

	Quarter Ended 3/31/2000	Nine Months Ended 3/31/2000
Cash flows from operating activities:		
Justice Court fines	\$ 707,693	\$ 2,286,024
District Court fines	174,463	537,382
Other fines and penalties	-	80,625
Public land sales	87,574	3,556,567
Miscellaneous income	3,960	5,040
Net cash provided by operating activities	973,690	6,465,638
Cash flows from noncapital financing activities:		
Operating transfer in	16,484	49,416
Operating transfer out	(764,881)	(1,110,981)
Net cash used for noncapital financing activities	(748,397)	(1,061,565)
Cash flows from investing activities:		
Purchases of investments	(19,598,553)	(19,598,553)
Sales of investments	-	5,000,000
Treasurer's interest distribution	351,288	810,825
Investment interest	154,126	1,989,814
Purchased interest	(387,665)	(387,665)
Net cash provided by (used for) investing activities	(19,480,804)	(12,185,579)
Net increase (decrease) in cash	(19,255,511)	(6,781,506)
Cash at beginning of period	25,585,284	13,111,279
Cash at end of period	\$ 6,329,773	\$ 6,329,773
Reconciliation of net operating income to cash provided by operating activities:		
Total operating income	\$ 2,008,963	\$ 8,859,310
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(86,786)	(113,575)
Investment income reported as operating income	(948,487)	(2,280,097)
Net cash provided by operating activities	\$ 973,690	\$ 6,465,638

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO FINANCIAL STATEMENTS**

Basis of Accounting:

Transactions are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended March 31, 2000, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$24,490,101. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended March 31, 2000, funds held by the State Treasurer earned interest at an effective rate of 5.95 percent.

Investments:

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, which the Permanent School Fund implemented during the fiscal year ending June 30, 1998. In accordance with GASB Statement No. 31, all investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

STATE OF NEVADA
PERMANENT SCHOOL FUND

GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund was created as a nonexpendable trust fund. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund which apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. White Pine County School District and Douglas County School District entered into guarantee agreements for general obligation bond principal amounts totaling \$7,510,000 and \$8,710,000, respectively during the fiscal year ended June 30, 1998. During the third quarter of 1999, Nye County School District entered into a guarantee agreement for general obligation bond principal amounts totaling \$17,750,000. On August 9, 2000, Churchill County School District entered into a guarantee agreement for general bond principal amounts totaling \$3,655,000.

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENTS
March 31, 2000

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
U.S. Treasury Note	5.500	4/15/00	\$ 2,000,000	\$ 1,998,750	\$ 1,999,060
U.S. Treasury Note	5.500	4/15/00	5,000,000	4,999,609	4,997,650
U.S. Treasury Note	7.500	11/15/01	5,000,000	5,001,750	5,074,200
Fed. Nat'l. Mortgage Assoc.	6.500	12/22/04	13,000,000	12,997,969	4,349,520
Fed. Nat'l. Mortgage Assoc.	6.850	9/12/05	4,500,000	4,324,230	12,516,530
Fed. Nat'l. Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	9,767,625
Fed. Home Loan Bank Note	7.250	11/1/06	5,000,000	5,018,750	4,848,450
Fed. Home Loan Bank Note	6.875	11/22/06	6,500,000	6,500,000	6,237,985
Fed. Home Loan Bank Note	6.300	6/1/04	10,000,000	10,009,100	9,646,900
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	9,837,600
Total Fixed Income Securities			<u>\$71,675,000</u>	70,448,711	69,275,520
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$70,448,831</u>	<u>\$69,275,640</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2000

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2000	Nine Months Ended 3/31/2000
Carson City	\$ 7,293	\$ 21,608
Churchill	14,190	39,689
Clark	390,763	1,189,046
Douglas	4,750	17,146
Elko	34,892	103,745
Esmeralda	3,944	17,981
Eureka	9,883	30,053
Humboldt	-	-
Lander	2,389	9,716
Lincoln	3,115	8,564
Lyon	28,197	85,755
Mineral	235	235
Nye	46,409	147,912
Pershing	1,682	5,076
Storey	-	-
Washoe	201,191	676,559
White Pine	148	1,073
Total	<u>\$ 749,081</u>	<u>\$ 2,354,158</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2000

Schedule 3

County	Quarter Ended 3/31/2000	Nine Months Ended 3/31/2000
Carson City	\$ 1,900	\$ 5,233
Churchill	3,684	12,188
Clark	132,680	335,384
Douglas	5,015	17,355
Elko	21,018	63,733
Esmeralda	25	75
Eureka	-	-
Humboldt	2,958	7,877
Lander	1,045	3,314
Lincoln	605	3,855
Lyon	3,705	8,601
Mineral	350	3,584
Nye	1,935	3,040
Pershing	555	4,559
Storey	-	25
Washoe	37,246	104,748
White Pine	7,140	10,001
Total	<u>\$ 219,861</u>	<u>\$ 583,572</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended March 31, 2000

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	5.500	2,000,000	\$ 27,500
U.S. Treasury Note	5.500	5,000,000	68,750
U.S. Treasury Note	7.500	5,000,000	93,750
Fed. Nat'l. Mortgage Assoc.	6.500	13,000,000	211,250
Fed. Nat'l. Mortgage Assoc.	6.850	4,500,000	77,062
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	1,705
Fed. Home Loan Bank Note	7.250	5,000,000	90,625
Fed. Home Loan Bank Note	6.875	6,500,000	111,719
Fed. Home Loan Bank Note	6.300	10,000,000	157,500
Fed. Home Loan Bank Note	6.905	10,000,000	3,836

Total interest on investments 843,697

Third quarter Treasurer's distribution 365,283

Total interest 1,208,980

Change in fair value of investments:

Third quarter change in fair value of investments (260,493)

Total investment income earned for the quarter ended March 31, 2000 \$ 948,487